

# **College Counts 529 Fund Board Meeting**

**August 10, 2011**

**9:00 A.M.**

## **MINUTES**

### **Board Present:**

Chair Young Boozer

Mr. Dennis Beavers

Dr. Greg Fitch

Ms. Leigh Grogan for Chancellor Freida Hill

Mr. Daniel Hughes, Vice Chair

Mr. Mychal Smith

Mr. Ronald Stokes

### **Absent:**

Dr. William Meehan

Lt. Governor Kay Ivey

### **Others Present:**

Ms. Glenda Allred, Deputy Treasurer

Ms. Daria Story, Assistant Treasurer

Ms. Brenda Emfinger, College Savings Programs Director

Mr. Jay Steinacher, Union Bank and Trust

Ms. Valerie Jones, Union Bank and Trust

Mr. William Shafferman, Union Bank and Trust

Mr. Trevor Jackson, Wilshire Associates, by phone

Mr. Mannik Dhillon, Wilshire Associates, by phone

Mr. Jeremy Thiessen, PCA Consultants

Pursuant to written and public notice, the meeting of the Board of Directors of the CollegeCounts 529 Fund was held in the RSA Union Building, 6<sup>th</sup> Floor Conference Room on August 10, 2011.

### **Agenda Item 1.**

The meeting was called to order by Chairman Young Boozer at 9:00 a.m., with a quorum present.

Chairman Boozer introduced new board member, Mr. Mychal Smith, and provided background information.

### **Agenda Item 2.**

Chairman Boozer presented the minutes of the May 11, 2011 board meeting. A motion for approval was made by Mr. Hughes, seconded by Mr. Stokes, with unanimous approval.

### **Agenda Item 3. (A.)**

Chairman Boozer called on Mr. Steinacher for the quarterly program review. The June 30, 2011 report is attached for reference and summarized as follows:

- For the quarter ended June 30, 2011, total program assets were \$799.5 million with new contributions of \$15.4 million from out of state investors and \$12.7 million from Alabama residents. There were a total of 56,279 accounts. Alabama accounts increased by 980 for a total of 15,884.
- Since the August 2, 2010 transition to Union Bank, 4,582 new Alabama accounts have been opened.

- 62% of new Direct Plan accounts have been established online.
- The Alabama counties with the largest number of accounts are Jefferson, Madison, Shelby, Baldwin and Mobile.
- Census Bureau statistics report 1,119,517 Alabama children under the age of 18. CollegeCounts has 15,884 Alabama accounts. The in-state “success rate” is 1.42%. The ongoing goal is to grow Alabama accounts by 5,000 each year.
- For the Direct Plan, the age based tracks represent 66.3% of assets and for the Advisor Plan, 71.1% of assets.
- The average age of account owners is 46.8 years with 74% of all account owners between the ages of 35 to 65.
- The average account size in the Direct Plan is \$10,670 and \$15,119 in the Advisor Plan.
- Additional information was provided on the composition of the underlying funds in the various age based and target portfolios.

Mr. Shafferman and Ms. Jones reported on “grass roots” marketing efforts across the state. They discussed their contacts with various service groups, daycares, advisor offices, doctor offices, as well as participation in various community events.

Mr. Hughes suggested that additional information on other states comparing the population to the number of accounts would be helpful in marketing out-of-state. Mr. Beavers suggested using the Superintendents of Education to disseminate information on the program.

Mr. Steinacher touched on the various marketing materials including a recent “rollover” mailing that went to Alabama advisors summarizing the benefits and advantages of rolling out-of-state 529 plans into the Alabama CollegeCounts 529.

### **Agenda Item 3. (B.)**

Chairman Boozer asked Ms. Allred for a program marketing report. Ms. Allred reviewed with the board the marketing theme of “Give Smart”. She then informed the board that a new ad for the Christmas gift giving season was being developed that featured Treasurer Boozer. She used story boards to preview the ad, and then distributed a list of media placement for television ads to run October through December. Mr. Beavers suggested adding the web site address throughout the ad.

### **Agenda Item 3. (C.)**

Chairman Boozer asked Mr. Thiessen for an analysis of the program funds. Mr. Thiessen began with a recap of market events within the past few days, stating that the information provided was based on June numbers and therefore dated with the recent market volatility.

He then provided information on each fund, noting that the Harbor Large Cap Value Fund (Advisor Program) was the only fund on “Watch” status. The fund was placed on “Watch” status for performance reasons based on data as of 12/31/10. Their underperformance was attributed to the fund’s high quality bias which tends to trail in equity market rallies. The recommended “watch” period is 12 to 18 months.

Mr. Thiessen noted that the Northern Institutional International Equity Fund (Advisor Plan) also qualified for “Watch” status but was not being recommended at this time because of the lack of data on the tracking error related to the Fair Market Value adjustment procedures.

The report is attached for reference.

**Agenda Item 3. (D.)**

Mr. Jackson and Mr. Dhillon were connected by phone for the Wilshire Investment report. The report is attached for reference.

Mr. Jackson began by stating that the quarter had been positive but recent events had caused extreme volatility in the markets. He urged the Board to “stay the course” and to take a longer market outlook in evaluating fund performance. He stated that the past quarter, the Direct Plan had matched the benchmark while the Advisor Plan had added value.

Mr. Dhillon then discussed several funds, including PIMCO’s underweighting of Treasury’s, the Harbor Large Cap Value Fund rebounding of late and moving into the top quartile performance wise year to date, the Fidelity Mid Cap II narrowing the gap in comparison to its benchmark with their cash position, CIBC (a Canadian Financial Institution) acquiring a 41% economic interest in American Century which Wilshire does not initially deem material but will be monitoring, and noting that Lord Abbett Developing Growth and Neuberger Berman International Large Cap were doing a good job adding value.

**Agenda Item 4.**

Chairman Boozer called on Ms. Emfinger for a discussion of informational items. Ms. Emfinger provided financial information, including a discussion of the Opportunity Enhancement Fund, noting that the balance was approximately \$2.5 million. She also called the board’s attention to a memo prepared by Andrea Feirstein, program consultant, on national information pertaining to 529 programs.

There being no further business, the meeting was adjourned by motion at 11:10 a.m.

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Brenda Emfinger, Recording Secretary

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Young Boozer, Chair